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DISCUSSION ON THE DEMOBILIZATION OF LABOR IN WAR INDUSTRIES AND IN MILITARY SERVICE

W. H. WEBSTER, President, Rathbone, Sard & Co., Albany, N. Y.: During the past two weeks I have discussed with various agencies of the government the subject of the demobilization of war industries and military service. I was assured in the first place that as far as the demobilization of war industries was concerned it was a matter for the War Policies Board, and the Labor Board, and that the American Federation of Labor was working hand in hand with them. I discussed the subject with the American Federation of Labor, members of the War Policies Board and others, and I was assured beyond the shadow of a doubt that as far as the machinery for helping a man to find a job was concerned, it was perfect. The only thing that evidently had not been taken into account was to produce the job for the man that was out of employment. Finally it came to the point of passing it back to the manufacturers of the country. There is no doubt whatever that if the manufacturers will take upon themselves the burden of reconstruction, will invest their capital without any government control or help, that if they are justified in doing it, if they are big enough men to take the burden on their shoulders and demobilize industry the way they mobilized industry in the period of the war to help win the war, it can be done.

The average manufacturer however is going first of all to look the field over. He wants to know just exactly what has taken place during the war period. In 1914 this country was facing an impending depression in business due to a greatly increased supply of manufactured goods over the available market and the demand. If the European war had not come at the time that it did come there is no doubt that there would have been a great business depression, that a great many men would have been out of employment and only the fact that the European war came when it did, prevented that business depression. During the period of the war we have built up an enormous industrial machine, so much so that our increased manufacturing facilities in eight of the principal manufacturing cities throughout the country have increased 94.66 per cent. In addition to that the increased output is 112 per cent. It stands to common reason that the manufacturers of the country are going to take these circumstances into consideration before they attempt a policy of reconstruction. If the depression that was impending in 1914 had come it would have meant a depreciation of values in industries throughout the country. There is no doubt whatever that the increased manufacturing facilities which we now have cannot continue after demobilization. We must get back to normal production based on the normal law of supply and demand. A continuation of the inflated values which we have had during the period of the war can be nothing but injurious, and must lead to a very serious condition. During the past year the acceptances discounted by the Federal Reserve Bank

increased over and above the increase in the gold reserve by one billion dollars. That condition cannot continue. A continued inflation is dangerous in view of the fact that deflation must precede the demobilization of industry and the demobilization of the armies throughout the world at large. The great trouble that we are going to face is financial rather than industrial. If the financial problem can be settled satisfactorily it will follow that the others will be settled automatically. In 1914 our foreign trade had reached a point where it was absolutely necessary to increase it as an outlet for the surplus manufactures which the available markets in this country could not consume. At that time 64.8 per cent of our exports were represented in raw materials only, leaving about 36 per cent for finished goods. We are now faced with the important necessity of developing an outlet to take care of our surplus manufactures, if we are going to take care of our workers, and continue industry on the same basis as it is now conducted. To do that we must first put into operation commissions which will investigate the foreign markets and find out exactly what their requirements are. These commissions however, or their success, will depend entirely on the methods which the government has still to expand for the development of foreign trade. Foreign countries have not the funds today to engage in commerce with us, and such commerce will have to be fostered by our present policy of paternalism. If this is done it will take from six months to a year to develop the European markets and the foreign markets at large, and it will take us certainly from three months to six months to adopt our manufactures to those markets. Consequently there is a period of between six and nine months that will have to elapse before we can find available markets for our surplus manufactures. The industries of the country responded patriotically to the government's demand—it was in the form of a demand more than a request—to mobilize for the manufacture of war munitions and supplies. It seems reasonable that the government should continue to extend to them the help which has been extended during the period of the war through the war-finance corporation, by an extension of credit through the Federal Reserve Bank. In this particular instance the average manufacturer in this country, whether he engages in domestic or foreign business, is severely handicapped by the cost of capital. In Europe business is invariably on a thirty-day basis, payment is made by trade acceptances, and the manufacturer can rely on turning over his capital (at least it is available for turnover in his business) on the basis of forty five days. In this country unfortunately we have never become alive to the fact that our capital should be available for our business developments. When we run short of capital we immediately get fresh capital in, we never think of cutting down the credit period. In my own business during the period of the war we have been able to reduce our credit period from approximately 120 days to a sixty-day basis, making the working capital available to turn-over just double the quantity during the period. In other words, with a working capital of a million dollars a manufacturer on a sixty-day basis can turn over his capital six times during the year, making available a turn-over of six million dollars, whereas if his credit period is increased to 120 days, with the same working capital he can only turn it over

on a three million dollar basis. In Europe the cost of working capital has always been much less than the cost in this country, and before we can compete even on a domestic basis it is absolutely essential that credit should be brought to a European basis, and the Federal Reserve Bank should be made available for that particular purpose.

Second, we come to the point of taking care of the employees that are going to be discharged from industry without the opportunity of re-employment. I am going on the view that no business man is justified in investing his capital in the manufacture of goods without an available market in sight, and certainly the available market today in the United States and the foreign trade, as we see it, does not justify a continuation of our present volume. Particularly as far as Great Britain is concerned, I am going on a statement of one of their leading financiers during the past week. When he was asked regarding the continuation of the restriction of their imports, and its probable length, he said, "Why, as far as that is concerned, we propose to continue the restriction on our imports for five or ten years. We are owing enormous sums to your country, and the only way we can pay is to increase our exports and reduce our imports to the point where we are able to reduce our foreign obligations."

Now that is sound. If England is adopting that policy as a whole I do not see how the average manufacturer in the United States today can do other than follow a sound policy of manufacturing and financing.

Further, the people of this country have been taught something with regard to thrift and the value of investment during the war. Their purchasing power has been steadily reduced from a pre-war basis. They have been purchasing Liberty Bonds and subscribing to the various war activities, and they have obligated themselves further to subscribe to the balance of the fourth loan, and the fifth loan which is to come out in the month of April. It would be foolish for the country at large not to appreciate the lesson which the average workingman has been taught. If we are going to secure an outlet in foreign markets it must be through investment in foreign markets. Great Britain and Germany have built up their foreign trade first by an extension of credits, and having extended the credit they can go and request as a natural right the business which will follow the development of the credit. We will have to divert the savings of our people for many years to come to secure an outlet in foreign markets by the extension of credits, and by the subscription to foreign issues. We have built up a merchant marine, and we have heard arguments that the merchant marine will take care of a large number of workers discharged from industries, and in addition to that we are considering building projects which will also make available work for a large number of men who will be discharged from war industries. Both of these proposals cannot be classed other than as public relief at the present cost of labor. No one is going to build a house, or invest money in building at the present high cost of labor and material, with the depreciation which will naturally follow. As far as our merchant marine is concerned it is absolutely necessary for the prosecution of our foreign trade, but the building of our merchant marine at its present cost, without removing the prohibitive legislation which we

have for its operation is no more justified than an extension in building or any other industrial extension at the present high cost of labor and material. We require the merchant marine to create an outlet in foreign trade to take care of our increased manufacturing facilities, but immediately the merchant marine is completed it should be released to private enterprise in the form of a government subsidy, and at a cost that will permit of its payment over a period of years. In addition to that there should be a subsidy which will permit its operation at the same rate of freight as European freight, and in that way the average American manufacturer will not have to contribute five to six hundred per cent for the privilege of shipping his goods to foreign countries in American bottoms.

Finally we come down to the point of my contention that this country's industries cannot take care of the demobilization of the industries, not to speak of the demobilization of the army. France and Great Britain have realized this very early and out of a total of loans to the Allies of over eight and a quarter billions they have set aside approximately two billion seven hundred and fifty million dollars for the reconstruction period.

France has decided that the production of war materials will cease progressively as military requirements and the available workers are taken into account, and has appropriated six hundred and eighty million dollars for transition to a state of peace. The decrees provide for the taking of inventories of establishments doing war work, prescribe regulations for the transition period, and provide for the reduction or suspension of war contracts and the substitution of peace contracts, and authorize the following expenditures:

\$360,000,000 in Paris for railway work.

\$200,000,000 for ports, bridges and roads.

\$100,000,000 in the communes for public works.

\$240,000,000 for use during the period of unemployment.

Italy has also provided for the transition to a peace basis and has appropriated the following funds for this purpose:

1,800,000 lire has been designated for railway construction.

100,000,000 lire for public works.

500,000,000 lire for public utilities.

100,000,000 lire for unemployment.

The exact figures of Great Britain's appropriation are not available, but it is conservatively believed to be in excess of one and one half billion dollars, and is to be used for practically the same purposes as the appropriations designated by France and Italy. If Great Britain in particular, among other European countries, with all her advantage of position through her foreign trade commissions and industrial trade commissions and reconstruction commissions during the period of the war, and with all her foreign trade in available foreign markets at this time realizes the impossibility of a quick transition to peace and the further impossibility of employing demobilized workers and her enlisted men in industrial enterprises, and has provided for them in the form of government pensions extending over a

period of six months from demobilization and has, in addition, provided industrial trade credits to permit the resumption of industrial manufacturing curtailed during the period of the war, it stands to common sense that the United States will do well to follow some such similar policy.

AUGUSTINE DAVIS, President, Davis-Bournonville Company: The National Association of Manufacturers which I represent, is composed of about 4000 manufacturers. I have just returned from the great business-men's convention at Atlantic City and wish to say to those assembled here that it is the desire of every business man to meet this after-the-war situation and take care of employees. As a manufacturer whose company has not been in business for more than ten years, let me say that we have never discharged a man except for cause; one of the greatest fears we have at the present time is that we may have to do so.

The Manufacturers Association has the greatest sympathy for crippled soldiers, and is trying to form a committee of one thousand to look after their interests. We are preparing to co-operate with the Government Vocational Board to educate crippled soldiers in oxy-acetylene welding and in other lines adaptable for the purpose.

With regard to the eight-hour day, I understand that the labor unions want the eight-hour day, and if it is now possible, I think the tendency of the manufacturers would be to accept that condition. Here is a little illustration of what it would cost my company with about 500 people employed, if we make an eight-hour day instead of a nine-hour day. It means fifty cents an hour for the average employee—that is two hundred and fifty dollars a day which, with the extra overhead charges, would amount to fifteen thousand dollars per month or one hundred and eighty thousand dollars per year. I just want you to think for a moment what it would cost to reduce time from a nine-hour basis to an eight-hour basis without reducing the pay, which I think is the wish of the unions. The congress which has just adjourned at Atlantic City authorized the United States Chamber of Commerce to appoint a committee to meet with the union officials, or organized labor, to see if they cannot get together on some basis to better conditions, and to take care of the situation which now exists.

From the discussions here today we have heard about the government being expected to support a number of vast undertakings. Where is it expected that the government will get the funds to provide for these enterprises? Largely from the manufacturers and business men. Nearly every business man in this land who has had war work, has made a good profit, but he has frequently had to extend his investments in buildings and labor, until he has expended more in machinery and buildings than his net profits have been. The thing that troubles and bothers him is how to pay his war taxes, and I hope labor can be made to see it in that light. I am chairman of the Industrial Development Committee of the National Association of Manufacturers, and one of the things that comes before my committee later in this month is the so-called Rockefeller plan presented at Atlantic City for industrial co-operation. The Manufacturers Association is composed largely of men of sufficient intelligence to know that if they do not

give their men good pay and provide them with the best working conditions they will not get best results.

Up to the presidency of Colonel Pope, the Manufacturers Association was considered by many as the enemy of organized labor. Under the administration of Colonel Pope, a policy of co-operation was advocated. When I was appointed Chairman of the Industrial Betterment Committee I asked President Mason what his policy would be and he said "Co-operation and conciliation." I want the laboring people to understand that the National Manufacturers Association is not opposed to the best interests of employees and that it will do everything it can to meet the readjustment situation and to find employment not only for the returning soldiers, but for all other deserving persons.

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